

Broker & Agent Onboarding - Session 3

Credits, Penalties, & Taxes

August 7, 2013



nevada
health link



Agenda

- Advance Premium Tax Credit (APTC)
- Cost Sharing Reductions (CSRs)
- Individual Tax Penalty (Mandate)
- Small Employer Tax Credit
- Employer Responsibility Penalty



Advance Premium Tax Credit (APTC)

- APTC is a federal subsidy used to assist qualifying individuals and families obtain health insurance by reducing the monthly premium amount.
- To be eligible for the APTC, you must:
 - Be lawfully present in the United States
 - Be a current tax filer with the IRS
 - Earn between 138% and 400% of the Federal Poverty Level (FPL).



Advance Premium Tax Credit (APTC), cont.

- Enrollee may choose how much advance credit payments to apply to their premiums each month, up to a maximum amount.
- APTC is paid in advance to a taxpayer's insurance company to help cover the cost of premiums.
- The premium tax credit is refundable so taxpayers who have little or no income tax liability can still benefit.




Advance Premium Tax Credit (APTC), cont.

- Starting in 2014, individuals offered employer-sponsored coverage that's affordable and provides minimum value won't be eligible for a premium tax credit.
- If the amount of advance credit received for the year is less than the credit due, the individuals get the difference as a credit on their federal income tax return.
- If advance payments for the year are more than the amount of credit, individuals must repay the excess advance payments with their tax return.

Determining APTC


Annual Income at % of the Federal Poverty Level
and Other Levels (Calendar Year 2013)



Family Size	138% FPL	200% FPL	300% FPL	400% FPL
1	\$15,856	\$22,980	\$34,470	\$45,960
2	\$21,404	\$31,020	\$46,530	\$62,040
3	\$26,951	\$39,060	\$58,590	\$78,120
4	\$32,499	\$47,100	\$70,650	\$94,200
5	\$38,047	\$55,140	\$82,710	\$110,280
For each additional person add	\$5,548	\$8,040	\$12,060	\$16,080

Determining APTC, cont.

Monthly Premiums Under the Second Least Expensive Silver Level Plan (Calendar Year 2013)



Family Size	138% FPL	200% FPL	300% FPL	400% FPL
Percent of Income	3.29%	6.3%	9.5%	9.5%
1	\$43.53	\$120.65	\$272.89	\$363.85
2	\$58.76	\$162.86	\$368.36	\$491.15
3	\$73.98	\$205.07	\$463.84	\$618.45
4	\$89.21	\$247.28	\$559.31	\$745.75
5	\$104.44	\$289.49	\$654.79	\$873.05
For each additional person add	\$15.23	\$42.21	\$95.48	\$127.30

Determining APTC - Metal Tiers

Tier	Cost	AV	Estimated Deductible
Platinum	Most Expensive	90%	\$200
Gold	More Expensive	80%	\$1,000
Silver	Base	70%	\$2,000 (CSRs applied)
Bronze	Less Expensive	60%	\$4,000
Catastrophic	Least Expensive	<60%	

- Catastrophic plan enrollment is limited; not eligible for APTC
- The Advance Premium Tax Credit is based on the second least expensive silver plan
- Actuarial Value (AV) is the average cost paid by the insurer
- Deductibles are interpolated from reports from the Kaiser Family Foundation, rounded and based on 20% coinsurance
 - [What the Actuarial Values in the Affordable Care Act Mean, April 2011](#)
 - [Patient Cost-Sharing Under the Affordable Care Act, April 2012](#)

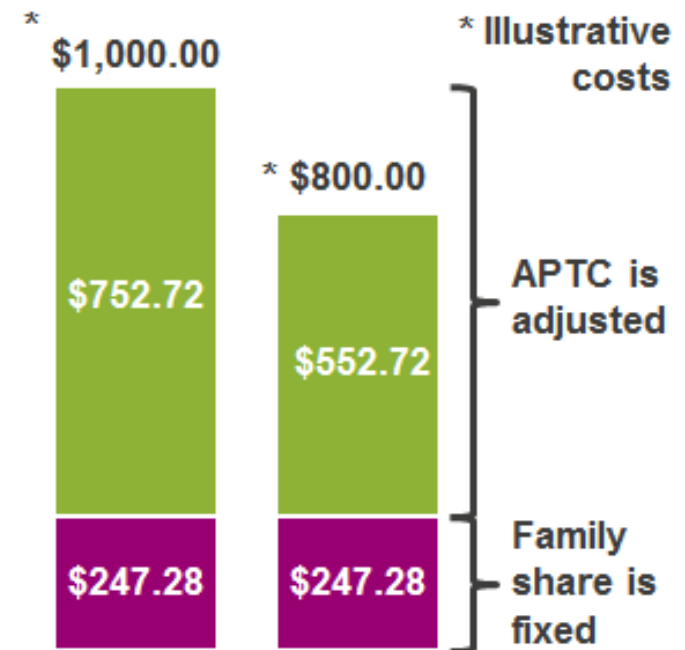
Applying APTC to Plans

Premium illustration for family of 4 with an annual income of \$47,100 (200% FPL)

Assume:

- Second cheapest silver plan in Reno is \$1,000 per month for a given family of four.
- Second cheapest silver plan in Las Vegas is \$800 per month for the same family of four.

The Advance Premium Tax Credit is adjusted so the cost for that family is the same (based only on income) for the second cheapest silver plan.



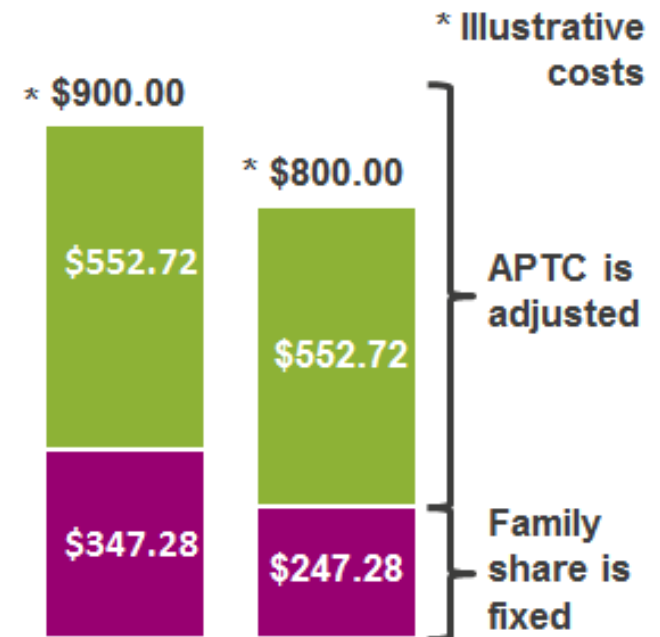
Applying APTC to Plans, cont.

Premium illustration for family of 4 with an annual income of \$47,100 (200% FPL)

Assume:

- Second cheapest silver plan in Las Vegas is \$800 per month for the same family of four.
- The family, in Las Vegas, wants to purchase a gold plan that costs \$900.

The Advance Premium Tax Credit is based on the second cheapest silver plan. The family must pay (or save) the difference.





Cost Sharing Reductions (CSRs)

- A discount that lowers the amount you have to pay out-of-pocket for deductibles, coinsurance, and copayments.
 - Reduce the out of pocket costs for individuals and families who make less than 250% of the Federal Poverty Level.
 - Must select a Silver Level Plan.
 - If individual is a member of a federally recognized tribe, they may qualify for additional cost-sharing benefits and can select any plan on the individual market.



Individual Mandate

Estimated Calendar Year Annual Tax Penalty¹

Individual with no dependents-

- In 2014, those with income above the filing threshold (\$9,750) but below about \$20,000 will pay the \$95 flat dollar amount, and those with income above about \$20,000 will pay 1% of income.
- In 2015, as both the flat dollar amount and the percentage of income increases, those with income above the filing threshold but below about \$25,000 will pay \$325, while those with income above about \$25,000 will pay 2% of income.
- In 2016, those with income above the filing threshold but below about \$37,000 will pay the flat dollar amount of \$695, while those with income above about \$37,000 will pay 2.5% of income.

¹ [Individual Mandate and Related Information Requirements under ACA, July 15, 2013](#)



Individual Mandate, cont.

Estimated Calendar Year Annual Tax Penalty¹

Family of 4 (Two Adults and 2 Children under 18)-

- In 2014, those with income above the filing threshold (\$19,500) but below about \$55,000 will pay the \$285 flat dollar amount and those with income above about \$55,000 will pay 1% of income.
- In 2015, as both the flat dollar amount and the percentage of income increases, those with income above the filing threshold but below about \$75,000 will pay \$975, while those with income above about \$75,000 will pay 2% of income.
- In 2016, those with income above the filing threshold but below about \$110,000 will pay the flat dollar amount of \$2,085, while those with income above about \$110,000 will pay 2.5% of income.

¹ [Individual Mandate and Related Information Requirements under ACA, July 15, 2013](#)



Small Employer Tax Credit

Eligibility:

- Fewer than 25 full time equivalent (FTEs) employees
- Cover at least 50% of the cost of employee coverage (not family)
- Average wages less than \$50,000/year
- Available now, goes up in 2014
 - Must be on SHOP Exchange
- Contact your tax preparer
 - Form 8941
 - Line 44f of Form 990-T (for Exempt Orgs)



Employer Responsibility Penalty

*** Delayed until 2015 ***

- No tax penalty for small business
- For companies with 50 or more full time equivalent employees (FTE) and at least one employee receives an individual tax credit:
 - No coverage offered: $\$2,000 \times (FTE - 30)$ per year
 - Coverage offered but not affordable (9.5% income) or minimum essential coverage (bronze plan), lesser of above or: $\$3,000 \times$ FTEs that receive a premium credit



Submitted Q & A



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